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COUNTRY PROGRAMMES AND MID-TERM REVIEWS

FIRST COUNTRY PROGRAMME FOR THE SLOVAK REPUBLIC

Programme period	Actual resources programmed	$
1994-1996	Net IPF	1 067 000
	Estimated cost-sharing	-
	Total	1 067 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. The Slovak Republic is one of the two successor Republics that came into existence on 1 January 1993, when, with the agreement of both parts, the former Czechoslovakia ceased to exist. The Slovak Republic covers an area of 4,901 square kilometres and has 5.3 million inhabitants. The per capita gross national product (GDP) is estimated for the year 1992 at $1,900 and the natural population increase was recorded as 9.4 thousand persons in the first half of 1993. The mean life expectancy is calculated to be 66.5 years for men and 75.3 years for women.

2. The process of transformation of the economy from one dominated by State control to a market economy began in 1990. The fundamental form this would take was determined in the then Czech and Slovak Federal Republic and had three principal objectives - privatization, liberalization of foreign trade and prices, and a restrictive monetary, budgetary and wage policy. The most important of these reforms took place at the end of 1990 and the beginning of 1991, with a liberalization of prices and foreign trade and the introduction of an internally convertible currency. From the very beginning, transition has been accompanied by such problems as an underdeveloped financial infrastructure, low adaptability and competitiveness of the economy, a large technological gap, and structural inconsistency with European markets. In spite of these constraints, certain partial improvements have been achieved. In particular, inflation was stabilized and positive trends became apparent in foreign trade.

3. At present, the process of transition is being threatened by risks that are both external and internal in nature. Economic stagnation in the former Soviet Union and/or a continuing decrease of trade with the Czech Republic are reducing traditional markets while possible prolonged recession in European Community countries leading to a possible threat of protectionism is of major concern. Also, internal problems such as a decreasing national revenue and a consequent growing deficit in the State budget, a decline of financial flows resulting in massive business insolvencies and a growing lack of public trust in the economic reform process are areas with serious implications for the future.

4. According to the most recent statistical data from the second quarter of 1993, the national economy showed some alleviation from the negative tendencies apparent at the beginning of the year, primarily because of the introduction of a new tax system and the creation of the sovereign Slovak Republic. Price increases and inflation indicators have both gone down and unemployment rose only slightly. The impact of the devaluation of the Slovak koruna carried out in July 1993 became apparent only in the second half of the year. Gross domestic product in the first half year of 1993 was 6.2 per cent, lower than in the same period of 1992. Inflation was 12.1 per cent, higher in the first half of 1993 than in December 1992. The unemployment rate reached 12.5 per cent in the second quarter and the total number of unemployed reached 318,000. These two indicators are not expected to decrease over the short term.

5. As far as foreign trade is concerned, the first five months of 1993 ended with a surplus of 2.9 billion Slovak korunas ($100 million at the United Nations

operational rate of exchange as at 31 May 1993). Imports were at 56.1 billion Slovak korunas ($1.93 billion) and exports at 59 billion Slovak korunas ($2.03 billion). Compared to the same period in 1992 exports decreased by 9 per cent and imports increased by 12.5 per cent. The transformation of ownership of the economy of the Slovak Republic continued at a more moderate pace as compared with the second half of 1992. The private sector contribution (including cooperatives) to gross domestic product was 36.9 per cent for the first half of 1993 (27 per cent without cooperatives). During the same period in 1992 the figure was 32.5 per cent (21.6 per cent).

B. National development objectives and strategies

6. Geographically, culturally, politically and economically, the Slovak Republic is a part of Europe and places high priority on its integration into Europe. The Government moved quickly to approve the Association Agreement with the European Community, which firmly indicates the geopolitical orientation of the Slovak Republic towards the European Community, determines the framework for their political consultations and cooperation and lays the basis for compatibility of the Slovak legal system with that of Europe. Similar processes are anticipated also in such fields as financial systems, technical standards, the banking system and social policies.

7. The economy. The economic policy of the Slovak Republic is designed to achieve three principal strategic aims:

(a) To halt the decline in production in the economy;

(b) To lay the groundwork for economic revival; and

(c) To ensure that the transition process does not exceed socially and ecologically acceptable limits.

8. In order to achieve these goals, the Government will try to keep the economy open, to maintain a macroeconomic balance and to slow the decline in production and employment. Priority objectives of these transition policies are represented in the economic sphere by a matrix of three mutually interdependent groups:

(a) Development objectives that lead to a more effective overall environment for development in all sectors through the development of an improved infrastructure capacity (transport systems, information-telecommunication systems and energy systems);

(b) Development objectives that stimulate the growth of selected categories of small- and medium-size enterprises and the development of tourism potential such as the development of capital markets and banking facilities, the development of services for production companies and the development of design, consultant and advisory activities;

(c) Development of new branch plants and decentralized production. This involves programmes that provide the foundation necessary for regional

development in industries such as ecological machinery, the machine and electric industry for power production and small factories producing construction materials.

9. Environment. Environmental policies will favour activities that lead to an improved environment and to the reduction of negative impacts on the health of the population, particularly vulnerable groups such as the elderly. Priority will be given to the reduction of air and water pollution and the restoration of a safe environment. The Slovak Republic has signed the Convention on Climatic Change and the Convention on Biodiversity and has promised to observe all commitments flowing from the United Nations Conference on Environment and Development (UNCED). The Government fully supports implementation of the action programme for sustainable development spelled out in Agenda 21. One demonstration of the commitment to implement this support has been the creation of the Slovak Committee for Sustainable Development, representing an open forum of government, non-governmental organizations (NGOs), academics and private citizens that are interested in participating in the formulation and implementation of the national programme of Agenda 21.

10. Social policy. The process of transition in the social sphere is focused on three issues:

(a) Unemployment and the resulting decrease of family living standards;

(b) Social consequences during the transition as a result of the economic impact of liberalization and privatization; and

(c) Achieving a longer-term objective of creating a socially just society.

11. Achievement of these programme objectives will require the mobilization of further financial resources and close coordination of assistance from international institutions. With limited possibilities for significant domestic savings, resources will have to come principally from an influx of foreign capital encouraged by a system of guarantees for foreign credits, or through the direct capital participation of foreign businessmen guaranteed by legislation on investment protection.

II. EXTERNAL COOPERATION

A. Role of external cooperation

12. External development cooperation from the international community in a period of transition to a market economy is a vital supplementary tool in the national effort to speed up the process of transition. The principal source of development assistance is the Commission of the European Community, within the framework of the Poland, Hungary Aid for the Reconstruction of the Economy (PHARE programme, which has now been split into two independent programmes after the dissolution of the Czech and Slovak Federal Republic and the creation of the two independent successor Republics. The total allocated for the Slovak Republic represented 89 million ECU for the years 1990-1992. For the year 1993, the European Community has approved 40 million ECU for the Republic through the

PHARE programme. In addition, another programme, OUVERTURE, has approved five projects in the 1991-1993 period.

13. A key element of external assistance is that received from donor countries on the basis of bilateral agreements reached with the Slovak Republic. Development assistance programmes are focusing primarily on support for a market economy, environmental protection and education. The principal contributors of this assistance are Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States.

14. The UNDP contribution to development was a part of the approved country programme for the Czech and Slovak Federal Republic for the fifth cycle. With the dissolution of the Federal Republic, the remaining indicative planning figure (IPF) resources were divided between the successor Republics on a ratio of 2:1, with the larger portion going to the Czech Republic. The Slovak Republic has at its disposal $832,000 for the 1993-1996 period.

B. Aid coordination arrangements

15. The Government has established in the Ministry of Foreign Affairs an inter-industries commission to ensure effective communication of all relevant information from the Ministry and other official authorities and institutions of the Republic. Specific programmes of multilateral and bilateral foreign assistance are coordinated respectively by the Division of Multilateral Cooperation and the Division of Bilateral Cooperation in the Ministry of Foreign Affairs, which deal directly with the departments of foreign relations within each central authority.

III. THE COUNTRY PROGRAMME

A. Assessment of ongoing country programme

16. The Government does not consider it appropriate to attempt to assess the assistance provided by the United Nations Development Programme (UNDP) to the Czech and Slovak Federal Republic prior to 1 January 1993. However, within the framework of the UNDP programme for the Slovak Republic, there is $832,000 available up to the end of 1996. While it is too early to indicate the impact of the projects funded through IPF resources the following paragraphs outline their intended use.

17. Since January 1993, the following three projects have been approved by UNDP for the Slovak Republic:

(a) Tourism Development in Slovakia, Phase II: $150,000;

(b) Transfer of Knowledge through Expatriate Nationals (TOKTEN): $50,000; and

(c) Training in Management: $16,000.

18. In addition to these approved projects, the following three projects have been submitted to UNDP for consideration in 1993:

(a) Assistance in Management and Development of Human Resources in the Field of Telecommunications: $200,000;

(b) Investment Promotion in the Slovak Republic: $110,000; and

(c) Improvement of Salt Iodization and Removal of Deficiencies Caused by the Lack of Iodine in Slovakia: $80,000.

19. The Slovak Republic is also participating in three regional programmes, the first of which is operational and with the remaining two at the approval stage:

(a) Turn-Around Management Programme being executed by the European Bank for Reconstruction and Development (EBRD);

(b) Inter-Modal Transport Information System; and

(c) Applied Statistics for Countries in a Process of Transition.

B. Proposals for UNDP cooperation

1. Preparatory process

20. At the special session of the Governing Council held in February 1993, the Slovak Republic was given recipient status and was elected to membership in the Council. In October 1993, the Slovak Minister of Foreign Affairs, Mr. Moravčík visited UNDP and discussed with the Associate Administrator the framework of development cooperation between the Slovak Republic and UNDP. The first country programme was prepared by the Government within this framework.

2. Strategy for UNDP cooperation

21. UNDP has a mandate for achieving sustainable human development through the development of national competencies and self-reliance, the development of human resources and through the formation of partnership relationships. The Slovak Republic fully supports this mandate and is interested in tapping UNDP experience. The Government places especially high value on certain comparative advantages of UNDP: its political and sectoral objectivity, its multifaceted, multidisciplinary approach, and its access to know-how and rich experience in helping Governments in the coordination of external cooperation.

22. In cooperation with UNDP, the Government will actively seek additional financial resources over and above the IPF to co-finance the programmes and activities of UNDP in the Slovak Republic. At the same time, the Government is making every effort to develop and strengthen its cooperation with developing countries and to this end intends to use the technical cooperation among developing countries (TCDC) modality to establish active cooperation with other developing countries both within the region as well as in other regions.

3. Proposed UNDP cooperation in selected areas of concentration

23. While the Slovak Republic will continue the programmes begun in the country programme for the former Czech and Slovak Federal Republic, the areas of concentration for the remaining period of the fifth cycle will involve an increased focus on two principal issues of transition:

(a) Restructuring the economy, investment promotion and support to private enterprises. The emphasis is to be placed on investment promotion and transfer of know-how to key industries of the national economy and on support for the creation of small- and medium-size enterprises;

(b) Management development, education and human resources development. Within the focus on improvement in the human condition and on human resource development, cooperation will be primarily oriented towards the improvement of management competence, the development of consultancy services and the preparation of educational programmes for entrepreneurs.

24. These issues will be addressed primarily in the following priority fields:

(a) Environment and the protection of natural resources. Attention is to be focused on the formulation and implementation of a national action programme and on successful capacity-building within the framework of a pilot phase of Capacity 21 and through assistance to the implementation of Global Environment Facility (GEF)-funded activities in the Slovak Republic;

(b) Telecommunications. The assistance is to concentrate on human resource development through management training programmes specifically designed by the International Telecommunication Union (ITU) and on the planning of a telecommunication system for the Slovak Republic;

(c) Strengthening the national statistical base. Emphasis is to be placed on the improvement of statistical data gathering and on creating conditions necessary for carrying out qualified economic analyses;

(d) Health and nutrition. Assistance is to be given to the development of a private health care system, to support of programmes of health and proper nutrition and to support the active participation of the Slovak Republic in World Health Organization (WHO) programmes;

(e) Education. Assistance is needed, in particular, in the creation of new university faculties specializing in business administration and the improvement of the teaching of foreign languages within the school system; and

(f) Utilization of the umbrella project approach. Emphasis is to be placed on supporting activities in the above priority areas, and is to make particular use of the Transfer of Knowledge through Expatriate Nationals (TOKTEN), the United Nations International Short-Term Advisory Resources (UNISTAR) and United Nations Volunteers (UNV) programmes.

25. In the approval of proposed projects for UNDP in each of these fields, the following criteria will be applied:

(a) Development of the human individual will be stressed;

(b) Strengthening national capacity will be emphasized;

(c) Appropriate attention will be paid to the priorities of the national programme;

(d) The key role the project will play in a given field in complementing other key activities in the same field will be assessed;

(e) The possibility of attracting supplementary financing from multilateral or bilateral resources will be a factor;

(f) Careful presentation of project goals and a logical process from goals to activities through the price effectiveness of inputs will be required;

(g) Careful location of projects within the system of national institutions to maximize the support given by host institutions and associated authorities is planned; and

(h) The contribution the project makes to the development of cooperation in international activities will be considered.

C. Assistance outside main country programme areas

26. It is not envisaged that new programmes or projects will be approved outside the main areas of concentration outlined above.

D. Implementation and management arrangements

27. In the absence of a UNDP office in the country, UNDP programming activities are coordinated by the Department of International Economic Cooperation of the Ministry of Foreign Affairs in close cooperation with UNDP in New York.

28. The Government wishes to stress a programme approach and would appreciate UNDP assistance in helping to focus on the most important Slovak priorities in relation to the mandate and expertise of UNDP. It is intended to include all project proposals as well as a strategy of integrated external cooperation in government programming for individual sectors. It will therefore be necessary to establish consistent communication channels and cooperation procedures among concerned government and national institutions. Special attention will be paid to these aspects during the stages of project formulation, approval, and evaluation. National institutions will concentrate on the formulation and management of programmes as well as on the coordination of foreign assistance and the mobilization of resources. The Government will try to secure cost-sharing or co-financing in cooperation with UNDP, and mutual consultations will be held on this aspect of programming.

29. The Government supports national execution of programmes, especially with respect to the maximum utilization of national capacity in their management, although proposed programmes will be considered individually. Whenever required, training will be arranged for the managers of national programmes. It is expected that a significant portion of programme activities will be carried out under national execution. Increasing attention will be paid to cost-effectiveness and to inputs, particularly with respect to the use of consultants. National consultants, TOKTEN and UNISTAR mechanisms will be applied wherever possible.

30. In accordance with UNDP regulations and procedures, a mid-term evaluation will be carried out during the country programme. The results will be analysed, priorities reassessed and, if necessary, the country programme will be modified.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

	$	$
Carry-over from fourth cycle IPF	481 000	
Fifth cycle IPF	832 000	
Estimated 1992 and 1993 expenditures	(246 000)	
Subtotal IPF		1 067 000
Government cost-sharing	-	
Third party cost-sharing	-	
Subtotal cost-sharing		-
TOTAL		1 067 000

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Restructuring the economy and private sector development	260 000	-	260 000	24.4
Management development and human resource development	592 000	-	592 000	55.5
Activities outside areas of concentration	-	-	-	-
Unprogrammed reserve	215 000	-	215 000	20.1
TOTAL	1 067 000	-	1 067 000	100.0

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES

No complementary assistance is envisaged from other sources.

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
Restructuring the economy and private sector development	*	*	*	*	*	
Management development and human resource development	*	*	*	*	*	*